

**HOUSE ENERGY AND COMMERCE COMMITTEE, HEALTH
SUBCOMMITTEE HEARING - PRICE TRANSPARENCY**

WEDNESDAY, MARCH 15, 2006

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MARCH 15, 2006

UICI / HEALTHMARKET

STATEMENT FOR THE RECORD

**HOUSE ENERGY AND COMMERCE COMMITTEE, HEALTH
SUBCOMMITTEE HEARING ON
PRICE TRANSPARENCY IN THE HEALTH CARE INDUSTRY.**

ON BEHALF OF THE MORE THAN 2,700 EMPLOYEES OF UICI, I AM HONORED TO SUBMIT THESE REMARKS REGARDING PRICE TRANSPARENCY IN THE HEALTH CARE INDUSTRY. IN PARTICULAR, I'M HERE TO EMPHASIZE OUR STRONG SUPPORT FOR FURTHER ACTIONS THE 109TH CONGRESS MAY CONSIDER TAKING TO EMPOWER CONSUMERS TO MAKE BETTER INFORMED CHOICES ABOUT HEALTH CARE.

UICI IS A LEADER IN PROVIDING AFFORDABLE HEALTH CARE COVERAGE TO INDIVIDUALS, SMALL BUSINESSES AND THE SELF-EMPLOYED. FOR MOST OF OUR 1.2 MILLION CUSTOMERS, IF UICI WAS NOT THERE TO DELIVER, CHANCES ARE THEY WOULD NOT HAVE INSURANCE AT ALL.

THE WORD CONSUMERISM HAS RECENTLY APPEARED ON THE HEALTH CARE HORIZON. BUT FOR OUR COMPANY, IT HAS LONG BEEN A WAY OF LIFE – REFLECTING THE SPECIAL NEEDS OF OUR CUSTOMERS.

UNLIKE MOST AMERICANS WHO RECEIVE HEALTH CARE FROM THEIR EMPLOYER AND PAY ONLY A FRACTION OF THE TRUE COSTS OF THAT COVERAGE, OUR CUSTOMERS PAY 100 PERCENT OF THEIRS.

FOR THIS REASON, UICI FOR MORE THAN 20 YEARS HAS FOCUSED ON DEVELOPING INNOVATIVE PRODUCTS AND SERVICES TO HELP OUR CUSTOMERS BETTER MANAGE THEIR HEALTH CARE.

HEALTH CARE DECISIONS ARE SOME OF THE MOST IMPORTANT, COSTLY CHOICES PEOPLE FACE.

AND YET, AMERICANS OFTEN MAKE THEM WITHOUT ANY REAL WAY TO EVALUATE THE COST AND/OR QUALITY OF MEDICAL SERVICE PROVIDERS.

OFTEN THESE HEALTH CARE DECISIONS ARE MADE WITHOUT THE BENEFIT OF KNOWING – AHEAD OF TIME – THIS VALUABLE INFORMATION.

IN FACT, CONSUMERS ARE FAR MORE LIKELY TO USE THE INTERNET TO RESEARCH A CAR OR COMPUTER THAN A DOCTOR OR HOSPITAL, ACCORDING TO RECENT RESEARCH, INCLUDING A SURVEY OUR COMPANY COMMISSIONED LAST YEAR. IT IS OUR POSITION THAT ONE REASON CONSUMERS DON'T USE THE INTERNET TO RESEARCH HEALTH CARE IS IT'S SIMPLY NOT AVAILABLE TO MOST AMERICANS.

WE BELIEVE THAT'S WRONG. CONSUMERS SHOULD HAVE AT LEAST AS MUCH INFORMATION ABOUT HEALTH CARE COST AND QUALITY AS THEY DO ABOUT CARS OR COMPUTERS. WHEN THE COST OF HEALTH CARE REPRESENTS NEARLY 10 PERCENT OF OUR CUSTOMERS' ANNUAL INCOME, IT'S OUR RESPONSIBILITY TO ENSURE THEY HAVE ALL THE INFORMATION NECESSARY TO MAKE INFORMED DECISIONS.

IT IS FOR THIS REASON OUR COMPANY ACQUIRED HEALTHMARKET IN 2004. WE SAW GREAT POTENTIAL IN HEALTHMARKET'S TECHNOLOGY AND INNOVATIVE PRODUCTS, WHICH PIONEERED THE CATEGORY OF CONSUMER-GUIDED INSURANCE.

THE CROWN JEWEL OF HEALTHMARKET IS ITS AWARD-WINNING WEB-BASED TOOLS, WHICH PROVIDE COST AND BENEFIT TRANSPARENCY. THESE INNOVATIVE TOOLS TOOK MORE THAN FOUR YEARS AND OVER \$100 MILLION TO BUILD AND PERFECT. ARMED WITH THESE RESOURCES, OUR MEMBERS ENJOY UNPARALLELED POWER TO MANAGE THEIR HEALTH CARE SPENDING.

WHILE MANY OF OUR COMPETITORS ARE TODAY JUST BEGINNING TO INTRODUCE LIMITED FORMS OF PRICE TRANSPARENCY, WE ALREADY HAVE EMBEDDED TRUE TRANSPARENCY INTO EVERY FACET OF OUR BUSINESS. AS A RESULT OF OUR COMMITMENT TO OUR CUSTOMERS:

- OUR MEMBERS HAVE ACCESS TO DETAILED INFORMATION ON APPROXIMATELY TWO-THIRDS OF THE NATION'S MEDICAL PROVIDERS LOCATED IN ALL 50 STATES -- THAT MEANS MORE THAN **430,000** MEDICAL PROFESSIONALS, **4,000** HOSPITALS AND MEDICAL CENTERS, AND **26,000** OTHER RESOURCES SUCH AS LABS, MRI CENTERS, MEDICAL EQUIPMENT PROVIDERS AND HOME HEALTH CARE CENTERS.
- OUR MEMBERS BENEFIT FROM PRICE TRANSPARENCY NOT FOR JUST 25 OR 30 PROCEDURES LIKE SOME OF OUR COMPETITORS PROVIDE, BUT FOR VIRTUALLY EVERY PROCEDURE AND SUPPLY CODE IMAGINABLE – MORE THAN **20,000** PROCEDURES OR SERVICES IN ALL, FROM THE COST OF A ROUTINE OFFICE VISIT TO A SPECIALIST CONSULTATION TO KNEE SURGERY.

- OUR MEMBERS HAVE ACCESS TO HEALTH PLANS THAT UTILIZE PRICE TRANSPARENCY IN MORE THAN A DOZEN STATES, WITH ANOTHER FIVE STATES CURRENTLY PENDING.
- OUR MEMBERS HAVE ACCESS TO DATA THAT IS UPDATED MONTHLY, PUTTING AT THEIR FINGERTIPS THE MOST COMPREHENSIVE, UP-TO-DATE PRICE INFORMATION AVAILABLE IN THE MARKETPLACE.

OUR MEMBERS USE OUR SITE TO LOOK UP PARTICIPATING PHYSICIANS AND HOSPITALS ANYWHERE IN THE COUNTRY AND COMPARE COST INFORMATION.

MANY OF OUR CUSTOMERS ARE SURPRISED TO LEARN THAT EXCELLENT, BOARD-CERTIFIED DOCTORS MAY CHARGE VASTLY DIFFERENT PRICES FOR THE SAME MEDICAL PROCEDURE.

HERE'S HOW OUR WEBSITE WORKS.

THE FIRST SCREEN PROVIDES A QUICK OVERVIEW OF PROVIDERS' CHARGES. A UNIQUE "THERMOMETER SCALE" ALLOWS MEMBERS TO VISUALLY SCAN THE LIST OF PROVIDERS AND QUICKLY DETERMINE WHO CHARGES A LOT OR A LITTLE COMPARED WITH THE REST OF THE MARKET. A DOCTOR "IN THE GREEN" IS LESS EXPENSIVE THAN A DOCTOR COLORED RED. A DOCTOR WHO IS "IN THE GREEN" WILL NOT LIKELY REQUIRE ANY OUT OF POCKET PAYMENTS FROM THE CONSUMER, AFTER THE DEDUCTIBLE AND CO-INSURANCE.

THE LOW-COST PHYSICIANS ARE LISTED FIRST, WITH THE HIGH-COST PHYSICIANS LAST. A PHYSICIAN CAN MOVE UP IN THE RANKING BY BRINGING CHARGES INTO LINE WITH THE REST OF THE MARKET. THAT MEANS PROVIDERS COMPETE, AND THEY HAVE AN INCENTIVE TO KEEP COSTS IN CHECK.

IF MEMBERS WANTS MORE DETAIL, THEY CAN CLICK TO THE NEXT SCREEN. THIS PROVIDES COSTS FOR EACH SPECIFIC SERVICE A DOCTOR OR HOSPITAL PROVIDES. AS I MENTIONED, WE HAVE COST DATA ON MORE THAN 20,000 SERVICES OR PROCEDURES, ORGANIZED BY THEIR CPT CODE. FOR THOSE WITHOUT COMPUTER ACCESS, THIS INFORMATION IS ALSO AVAILABLE OVER THE TELEPHONE.

MOST IMPORTANTLY, COST INFORMATION IS AVAILABLE TO ENROLLEES IN ADVANCE OF AN OFFICE VISIT OR PROCEDURE SO THAT THEY MAY TAKE THIS INFORMATION INTO ACCOUNT WHEN MAKING HEALTHCARE DECISIONS.

BUT NOT KNOWING THE COST OF SERVICES IS JUST ONE MAJOR PROBLEM WITH MANAGED-CARE HEALTH PLANS. TWO OTHERS ARE:

1. ENROLLEES LACK ANY SENSE OF OWNERSHIP OVER THE MONEY THEY SPEND.
2. INFORMATION ON QUALITY, OUTCOMES, AND TRAINING OF PHYSICIANS AND HOSPITAL STAFF IS OFTEN HARD TO FIND.

NOW, A WORD OF CAUTION. SOME INSURANCE COMPANIES SEEM TO USE THE CONSUMER DIRECTED TERM AS LITTLE MORE THAN A MARKETING BUZZWORD MEANING "LOW BENEFITS / LOW COST."

A PLAN THAT TRULY PUTS THE CONSUMER IN THE DRIVER'S SEAT MUST DO SEVERAL THINGS:

- THE PLAN MUST OFFER PRICE TRANSPARENCY, AS DISCUSSED.
- MEMBERS NEED A REASON TO CARE ABOUT PRICE – A SENSE OF OWNERSHIP OVER THE MONEY THEY SPEND.

- MEMBERS NEED ACCESS TO QUALITY AND OUTCOMES INFORMATION.

WHEN INSURANCE COMPANIES SET UP THE CO-PAY AS THE ONLY RESPONSIBILITY AN ENROLLEE HAS, IT'S NO WONDER THE ENROLLEE DOESN'T CARE WHAT THE OVERALL CHARGES ARE.

AT HEALTHMARKET, OUR CONSUMER PLANS GIVE ENROLLEES A SENSE OF OWNERSHIP THROUGH SEVERAL INNOVATIVE STRUCTURAL DESIGNS:

-- THE MAC, OR MAXIMUM ALLOWABLE CHARGE, IS THE FOUNDATION OF ALL HEALTHMARKET CONSUMER GUIDED PLANS.

THE MAC IS THE MAXIMUM FEE THE PLAN PAYS FOR A GIVEN SERVICE. IT IS SET FOR EACH COVERED SERVICE, WITH A LARGE PORTION OF CONTRACTED PROVIDERS WITHIN A GIVEN AREA AT OR BELOW THE MAC. IT IS SET LOCALLY, BASED ON PROVIDER CONTRACTS. IF THE MEMBER GOES TO A PROVIDER WHO CHARGES MORE THAN THE MAC, THE MEMBER IS RESPONSIBLE FOR PAYING THE DIFFERENCE OUT OF HIS OR HER OWN POCKET.

PROVIDERS WHO CHARGE BELOW THE MAC AND ARE DEPICTED AS "IN THE GREEN" ON THE MEMBER'S WEBSITE.

MARKET FORCES POINT THE WAY TO THOSE PHYSICIANS WHO CHARGE REASONABLE RATES IN RELATION TO THEIR EXPERIENCE, LOCATION, AND QUALIFICATIONS.

-- THE STARTWELL ACCOUNT IS AVAILABLE IN MANY PLAN DESIGNS AND PRESENTS AN EXCELLENT EXAMPLE OF HOW TO CREATE A SENSE OF OWNERSHIP OVER SPENDING.

ON DAY ONE OF COVERAGE, ENROLLEES TAKE OWNERSHIP OF A SPENDING ACCOUNT FOR MANY ROUTINE, PREVENTIVE, AND DIAGNOSTIC CARE SERVICES (OPTIONS RANGE FROM \$500 TO \$1,250). IF THE MEMBER ENDS THE YEAR WITH A POSITIVE BALANCE, HE OR SHE IS ENTITLED TO ROLL OVER ALL OR A PORTION OF THAT BALANCE ON RENEWAL OF THE POLICY, WHICH IS ADDED TO THE NEXT YEAR'S REPLENISHED BEGINNING BALANCE. IF THE FUND IS DEPLETED, ROUTINE SERVICES REMAIN COVERED, BUT ARE SUBJECT TO DEDUCTIBLES AND COINSURANCE.

THE STARTWELL ACCOUNT IS APPLIED TO SERVICES SUCH AS CHECK-UPS, MAMMOGRAMS, ALLERGY TESTING, AND LAB TESTS - ALL WITH NO DEDUCTIBLE, COINSURANCE, OR CO-PAYMENT. THIS PLAN DESIGN IS ACTUALLY RICHER THAN MOST CO-PAY PLANS, BUT WITH THE CRITICAL DIFFERENCE THAT THE ENROLLEE NOW HAS HIS OR HER FIRST EXPERIENCE IN CARING ABOUT THE COST OF CARE.

OUR MEMBERS RECEIVE A RICH BENEFIT FOR PREVENTATIVE, DIAGNOSTIC CARE - BUT ALSO HAVE A STRONG INCENTIVE TO SPEND MONEY ONLY WHEN NEEDED - AND TO TAKE COST INTO ACCOUNT WHEN CHOOSING A PROVIDER.

MANY CDHP COMPANIES TODAY USE HEALTH SAVINGS ACCOUNTS (HSAs) TO CREATE A SENSE OF OWNERSHIP OVER HEALTHCARE SPENDING. THESE ACCOUNTS SET UP A PERSONAL FINANCIAL ASSET THAT ENROLLEES CAN SPEND AS THEY SEE FIT.

THIS IS AN EXCELLENT WAY TO ENCOURAGE CONSUMERISM SINCE ENROLLEES NOW HAVE A PERSONAL STAKE IN THEIR SPENDING. WHAT IS IMPORTANT - AND OFTEN LACKING - IS THAT THE INSURANCE COMPANY MUST GIVE ENROLLEES THE TOOLS AND INFORMATION THEY NEED TO BE ABLE TO SPEND THEIR OWN MONEY WISELY. THIS MEANS KNOWING THE COSTS BEFORE BUYING

SERVICES. THE BEST HSA PLAN, WITHOUT COST INFORMATION, IS ONLY HALF THE PUZZLE. IT'S A SUPERFICIAL SOLUTION THAT LEAVES ENROLLEES FRUSTRATED AND UNABLE TO SPEND THEIR OWN MONEY WISELY.

IN ADDITION TO COST TRANSPARENCY, A CONSUMER GUIDED PLAN MUST PROVIDE ACCESS TO PROVIDER QUALITY AND OUTCOMES INFORMATION.

WE BELIEVE THAT TO FOCUS ONLY ON THE MONEY AND NOT ON QUALITY WOULD BE TO MISS THE WHOLE POINT OF HEALTH CARE.

WE PROVIDE OUR MEMBERS WITH ACCESS TO BEST-IN-CLASS QUALITY DATA FROM SUBIMO.

OUR PARTNERSHIP WITH SUBIMO GIVES OUR MEMBERS INFORMATION ON DOCTOR BACKGROUNDS – SUCH AS BOARD CERTIFICATION, MEDICAL SCHOOL, AND YEARS IN PRACTICE.

IT OFFERS INFORMATION ON HOSPITALS SUCH AS ADHERENCE TO PATIENT SAFETY STANDARDS, VOLUME OF PROCEDURES, AND CLINICAL OUTCOMES.

OUR WEBSITE EVEN ALLOWS ENROLLEES TO OFFER FEEDBACK ON PHYSICIANS, SO THAT ONCE RESULTS ARE MADE AVAILABLE, ONE ENROLLEE WILL BE ABLE TO BENEFIT FROM THE FEEDBACK OF ANOTHER, JUST AS EBAY OR AMAZON.COM USERS CAN READ WHAT OTHER USERS HAVE SAID ABOUT VARIOUS SELLERS.

ALL THIS INFORMATION IS MADE AVAILABLE TO ENROLLEES BEFORE THEY MAKE WHAT MAY BE LIFE-ALTERING HEALTHCARE DECISIONS. THE GOAL IS TO PROVIDE THE MOST INFORMATION FOR THE BEST DECISION POSSIBLE.

OUR MEMBERS ALSO RECEIVE ACCESS TO DETAILED SOURCES OF HEALTH INFORMATION SUCH AS IN-DEPTH HEALTH LIBRARIES. THESE ENABLE ENROLLEES TO RESEARCH SYMPTOMS, CONDITIONS, AND TREATMENTS; DETERMINE A PHYSICIAN'S HOSPITAL-ADMITTING PRIVILEGES; AND EVEN COMPARE HOSPITAL SURVIVAL RATES FOR VARIOUS PROCEDURES.

AS MUCH AS A CONSUMER-GUIDED PLAN TRIES TO MAKE LIFE EASIER FOR MEMBERS, HEALTH CARE CONSUMERISM CAN BE COMPLICATED. THEREFORE, IT IS IMPERATIVE TO PROVIDE MEMBERS WITH OUTSTANDING EDUCATION AND SUPPORT. WITHOUT THIS COMPONENT, PLANS MAY FRUSTRATE CUSTOMERS WHO UNDERSTAND THE IMPORTANCE OF MAKING WISE SPENDING DECISIONS AND WHO KNOW THAT THE INFORMATION IS OUT THERE SOMEWHERE – BUT JUST DON'T KNOW HOW TO NAVIGATE THE SYSTEM TO GET IT.

THE OTHERWISE GLOWING MCKINSEY & COMPANY JUNE 2005 REPORT FOUND AN "ACHILLES' HEEL" IN MANY CONSUMER PLANS: 80 PERCENT DID NOT PROVIDE SUFFICIENT INFORMATION ON THE PRICES DOCTORS CHARGE. LESS THAN HALF OF THE CONSUMERS STUDIED REPORTED THAT THEY WERE AT LEAST AS SATISFIED WITH THEIR CONSUMER-DRIVEN PLAN AS THEY HAD BEEN WITH THEIR PREVIOUS PLAN. "THE LONG-TERM SUCCESS OF CDHPS WILL BE HIGHLY DEPENDENT NOT ONLY ON WHETHER CONSUMERS RECEIVE APPROPRIATELY TRANSPARENT INFORMATION TO HELP THEM MAKE DECISIONS, BUT ALSO ON WHETHER THE INFORMATION CAN BE EASILY OBTAINED," THE REPORT CONCLUDED.

WE OFFER AN UNPARALLELED ARRAY OF SUPPORT SERVICES THAT HELP TO MAKE THEM SAVVY USERS OF THE CONSUMER TOOLS DESCRIBED ABOVE. FOLLOWING ARE JUST A FEW EXAMPLES.

OUR CONSUMER-GUIDED MEMBERS ARE ASKED TO PARTICIPATE IN A "VERIFICATION CALL" UPON JOINING THE PLAN. THIS CALL ALLOWS A CUSTOMER SERVICE REPRESENTATIVE TO DESCRIBE IN DETAIL HOW THE PLAN WORKS AND HOW THE MEMBER CAN USE THE ONLINE AND TELEPHONIC SUPPORT TOOLS TO THEIR ADVANTAGE.

ANOTHER SOURCE OF EDUCATION ABOUT THE PLAN ARE OUR *PERSONAL ASSISTANTS*. IN ADDITION TO HANDLING TRADITIONAL HEALTH INSURANCE QUESTIONS, THESE REPRESENTATIVES ARE TRAINED TO DISCUSS THE CRITICAL ISSUES FACED BY HEALTHCARE CONSUMERS: HOW TO COMPARE COSTS AMONG VARIOUS PROVIDERS; HOW TO USE ONLINE SELF-SERVICE TOOLS; AND HOW TO MANAGE FINANCIAL ACCOUNTS, SUCH AS THE *STARTWELL* ACCOUNT.

THE *PERSONAL ASSISTANT* PROGRAM ALLOWS ENROLLEES ACCESS TO A TOLL-FREE NUMBER STAFFED BY PROFESSIONALS WHO ACT AS A *CONCIERGE* SERVICE. SOME OF THE ACTIONS THEY TAKE ON BEHALF OF ENROLLEES AND THEIR FAMILY MEMBERS INCLUDE

- GETTING MEDICAL RECORDS TRANSFERRED
- ARRANGING FOR TRANSPORTATION
- DISCUSSING BILLS OR UNEXPECTED CHARGES WITH THE PROVIDER
- FINDING HOME-CARE OR ADULT DAYCARE PROGRAMS FOR AN ENROLLEE'S ELDERLY PARENT
- SETTING UP APPOINTMENTS TO SEE SPECIALISTS
- PUTTING THE ENROLLEE IN TOUCH WITH OUR 24/7 NURSE LINE.

IN CONCLUSION...

CONSUMER GUIDED PLANS SHOULD BE EVALUATED BASED ON WHETHER THEY PROVIDE:

- PRICE AND QUALITY TRANSPARENCY
- A SENSE OF OWNERSHIP OVER HEALTH DOLLARS SPENT
- AND ADEQUATE CUSTOMER SUPPORT.

THE NATION DID NOT ARRIVE AT ITS CURRENT CONSUMER-UNFRIENDLY SYSTEM OVERNIGHT, SO UNLEASHING THE POWER OF CONSUMERISM IN AMERICA WILL TAKE TIME. WE AT HEALTHMARKET LOOK FORWARD TO A DAY WHEN MOST AMERICANS BECOME STRONG HEALTH CARE CONSUMERS. WE LOOK FORWARD TO A FUTURE THAT OFFERS TOP-NOTCH HEALTH CARE WITHOUT SKYROCKETING COSTS THAT HAVE COME UNDER THE CURRENT SYSTEM OF MANAGED CARE.

AT HEALTHMARKET, WE BELIEVE IN A FUTURE WHERE ALL HEALTH PLANS SOLD IN AMERICA WILL BE OF THE CONSUMER-GUIDED VARIETY - SERVING CONSUMERS WHO ARE ABLE TO MANAGE THEIR HEALTHCARE DECISIONS AS WELL AS THEY DO THEIR VACATION-PLANNING OR REFRIGERATOR INVENTORY.

WE ARE BUILDING THIS FUTURE NOW, BECAUSE CONSUMERISM IN HEALTH CARE IS AN IDEA WHOSE TIME HAS COME.

HEALTHMARKET AND PRICE TRANSPARENCY: SOLUTIONS TO THE LACK OF PRICE TRANSPARENCY

